

Message Text

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TAGS: EEC EFIN
SUBJECT: EC FINANCE COUNCIL, FEBRUARY 14, 1977: RESULTS

REF: EC BRUSSELS 1279

1. SUMMARY: THE EC FINANCE MINISTERS' FEBRUARY 14 COUNCIL MEETING PRODUCED NO FORMAL SUBSTANTIVE DECISIONS. THE MINISTERS DISCUSSED THE EC'S GENERAL ECONOMIC SITUATION AND SET DOWN AGENDAS FOR THEIR MARCH, APRIL, AND MAY MEETINGS. THE MINISTERS ALSO RECEIVED A REPORT FROM EC COMMISSIONER TUGENDHAT ON THE COMMISSION'S AGRICULTURAL PRICE PROPOSALS. END SUMMARY.

2. AFTER CHAIRING THE FIRST FINANCE COUNCIL HELD UNDER THE UK PRESIDENCY, CHANCELLOR OF THE EXCHEQUER DENNIS HEALEY BRIEFED REPORTERS AT LENGTH ON THE TOPICS COVERED DURING THE SESSION. HE BEGAN BY REMARKING THAT HE HAD WANTED TO CHANGE THE STYLE OF FINANCE COUNCIL MEETINGS, CONCENTRATING MORE ON MAJOR ISSUES THAN HAS BEEN THE CASE HITHERTO. IN AN EFFORT TO INJECT A GREATER
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DEGREE OF INFORMALITY INTO DISCUSSIONS, HE PROPOSED--AND HIS COLLEAGUES AGREED--THAT ONLY TWO OFFICIALS AT A TIME BE PRESENT WITH ANY ONE MINISTER DURING COUNCIL SESSIONS.

3. GENERAL ECONOMIC SITUATION. MOVING INTO THE SUBSTANCE OF THE COUNCIL MEETING, HEALEY SAID THERE HAD BEEN AGREEMENT THAT THE COMMUNITY'S ECONOMIC PROSPECTS ARE GLOOMIER NOW THAN DURING

THE PAST FEW MONTHS AND THAT AN INCREASE IN UNEMPLOYMENT WAS LIKELY. HE SAID THE MINISTERS HAD AGREED THAT IF NO ACTION IS TAKEN, THERE IS A RISK OF RECESSION BY 1978, AND THAT IT IS THEREFORE NECESSARY TO CONCENTRATE ON ANTI-RECESSIONARY AND ANTI-INFLATIONARY REMEDIES. (A PERMDEL SOURCE TOLD MISSION OFFICER THAT FRG CAME UNDER CONSIDERABLE PRESSURE TO TAKE REFLATIONARY ACTION DURING LUNCHEON MEETING. APEL REPORTEDLY GAVE COUNTER-ARGUMENTS SIMILAR TO THOSE IN MORNING SNAKE MEETING (SEE SEPTTEL), BUT DID NOT REJECT IDEA OUT OF HAND.)

4. DIALOGUE WITH WASHINGTON. HEALEY TOLD REPORTERS THAT THE NEW US ADMINISTRATION IS "BUBBLING WITH IDEAS" ON INTERNATIONAL ECONOMIC PROBLEMS AND THERE ARE ALREADY "INDICATIONS THEY DO NOT SUPPORT THE THEORY OF BENIGN NEGLECT IN INTERNATIONAL ECONOMIC POLICIES." HE SAID THAT THE USG "SEEMS QUITE INTERESTED IN ECONOMIC COOPERATION" AND THAT IT IS "IMPORTANT FOR THE EUROPEANS TO MAKE AN INPUT TO THESE US DISCUSSIONS ONCE THE VIEW IN WASHINGTON IS CRYSTALLIZED." (ACCORDING TO A PERMDEL SOURCE, HEALEY TOLD HIS COLLEAGUES THAT THEY WOULD HAVE TO WORK HARDER TO KEEP PACE WITH THE MORE ENERGETIC TEAM NOW IN WASHINGTON.)

5. UPCOMING COUNCIL AGENDAS. HEALEY SAID THAT THE AGENDAS FOR UPCOMING FINANCE COUNCIL MEETINGS WILL BE INFLUENCED BY THE TIMING OF MAJOR INTERNATIONAL MEETINGS.

A. MARCH COUNCIL AGENDA: HEALEY PROMISED A RIGOROUS WORK SCHEDULE FOR THE MARCH 8 COUNCIL MEETING. THE COUNCIL WILL HAVE ITS QUARTERLY ASSESSMENT OF THE ECONOMIC SITUATION IN THE COMMUNITY AT WHICH THE MAJOR TOPIC WILL BE THE QUESTION OF HOW TO IMPROVE LIMITED OFFICIAL USE

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ECONOMIC PROSPECTS WITHOUT STIMULATING INFLATION, INCLUDING A LOOK AT THE ROLES OF THE US AND JAPAN IN THE EXPANSIONARY PROCESS. ANOTHER POSSIBLE TOPIC IS THE DISTRIBUTION OF OECD DEFICITS CAUSED BY THE OPEC PRICE RISE, AND THE PROBLEM OF STRUCTURAL UNEMPLOYMENT. THE COUNCIL WILL ALSO BEGIN ITS CONSIDERATION OF INTERNATIONAL MONETARY PROBLEMS IN PREPARATION FOR THE APRIL MEETING OF THE IMF INTERIM COMMITTEE (WHETHER OR NOT INTERNATIONAL LIQUIDITY IS ADEQUATE--THE ROLE OF THE EC IN THE LIQUIDITY PROBLEM). ASSUMING THAT THE PARLIAMENT HAS COMPLETED ITS ACTION, THE COUNCIL WILL ALSO TAKE UP THE FOURTH MEDIUM-TERM ECONOMIC PROGRAM (WHICH HEALEY DESCRIBED AS BECOMING LESS RELEVANT IN VIEW OF THE CHANGING ECONOMIC SITUATION). THE MEETING WILL ALSO MAKE PREPARATIONS FOR THE MARCH 25-26 EUROPEAN COUNCIL. (OUR PERMDEL SOURCE ADDED THAT HEALEY EXPRESSED HOPE IN MEETING THAT FRENCH COULD WORK OUT THEIR DIFFICULTIES SO THAT COMPETENCY DISPUTE ON EXPORT CREDITS COULD BE SETTLED BEFORE THE MARCH MEETING, AND THAT MINISTERS COULD THEN GIVE QUICK RATIFICATION TO ACCORD. THE COUNCIL WILL ALSO BE RECEIVING THE MONETARY COMMITTEE REPORT ON THE DUISENBERG PROPOSALS, BUT NO ACTION IS LIKELY ON THIS MATTER.)

B. APRIL COUNCIL AGENDA: HEALEY SAID THE MINISTERS HAD TENTATIVE
LY
AGREED TO MOVE UP THEIR APRIL MEETING TO APRIL 18 TO ALLOW FURTHER
PREPARATION FOR THE MEETING OF THE IMF INTERIM COMMITTEE.

C. MAY COUNCIL AGENDA: HEALEY SAID THE MAY COUNCIL MEETING WILL
FOCUS ON PREPARATIONS FOR THE ECONOMIC SUMMIT AND THE NEXT EC
TRIPARTITE CONFERENCE, SCHEDULED FOR THIS FALL.

6. TUGENDHAT REPORT ON AGRICULTURAL PRICE PROPOSALS. EC
COMMISSIONER CHRISTOPHER TUGENDHAT, WHO IS RESPONSIBLE FOR THE
COMMUNITY BUDGET, BRIEFED THE MINISTERS ON THE COMMISSION'S NEW
AGRICULTURAL PRICE PROPOSALS, WHICH WERE PRESENTED THE SAME DAY TO
THE AGRICULTURE MINISTERS (SEE SEPTTEL). ACCORDING TO PERMDEL SOURCES
,
THE MINISTERS WERE GENERALLY APPRECIATIVE OF TUGENDHAT'S PRESENTA-
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TION BUT AT LEAST ONE (ITALIAN TREASURY MINISTER STAMMATI) ASKED
WHY, IN VIEW OF THE AGRICULTURAL PRICE PACKAGE'S ENORMOUS COST TO
THE EC BUDGET, THE FINANCE MINISTERS COULD NOT HAVE BEEN BROUGHT
INTO THE PROCEDURE EARLIER.

7. ITALIAN LOAN. ACCORDING TO PERMDEL SOURCES, THE MINISTERS
ALSO DISCUSSED THE COMMUNITY LOAN TO ITALY INFORMALLY OVER LUNCH.
NO DETAILS ARE AVAILABLE. MORRIS

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